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WORLD TRADE: President Nixon's trade bill has received generally favorable comment abroad.

Although the Japanese press criticized the "strong protectionist coloring" of some features of the bill, the provisions for liberalizing world trade were welcomed. The press urged Tokyo to expand its efforts toward liberalization to avoid giving the US an "excuse" for adopting protectionist measures against Japan. Some Japanese Government officials expressed fear that the powers requested by the President could be used to extract trade and currency concessions.

Little in the US proposals surprised the Europeans and they are generally pleased that a start has been made toward a US negotiating mandate for multilateral bargaining scheduled to begin in September. Press comments on the whole approve of the "tone" of the President's proposals but, as in Japan, some commentators have noted the protectionist potential of the legislation and the dangers of a possible trade war. Considerable uncertainty persists about how the proposals may be changed by the Congress as well as how the Administration may ultimately use some of the broad powers requested. In a public statement, the EC Commission again stressed reciprocity as the guiding rule for the negotiations.

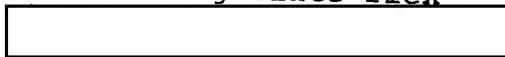
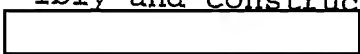
President Pompidou's economic adviser, Jean-Rene Bernard, has confirmed to the US Embassy that France will take a hard position in the trade negotiations. Along with some French press commentators, Bernard believes the US is out to dismantle the EC's common agricultural policy and he claims to see no positive benefits to the US from this "harsh policy toward the community." The proposed changes in US tax laws governing subsidiaries operating abroad, meanwhile, have struck sensitive Belgian and Irish nerves.

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Both countries, particularly Ireland, offer generous incentives to US businesses that make an important contribution to economic growth.

Officials of the General Agreement on Tariffs and Trade interpreted the President's proposals as a favorable sign that the multilateral trade talks will begin as scheduled in Tokyo next September. The authority requested by the President, they noted, would give the US power to negotiate flexibly and constructively.



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LEBANON-FEDAYEEN: Lebanon brought Israel's latest raid before the UN Security Council yesterday, while Beirut remained tense following the funeral for slain fedayeen leaders.

Schools and business establishments closed in observance of services for the dead. Large crowds accompanied the cortege but the procession and demonstrations throughout the day were generally orderly. There were, however, some instances of molesting of Westerners by some of three to four thousand armed fedayeen participating in the ceremonies. The mood of the crowd was ugly; they chanted slogans denigrating the US, the Lebanese Government and Army. Security forces, however, kept crowds away from the US Embassy.

President Franjiah has not yet accepted Prime Minister Salam's resignation, submitted Tuesday, and he continues to consult with political leaders on the formation of a new government.

Lebanon's request yesterday to convene the Security Council reversed an earlier decision to go no further than lodge a protest. The move was apparently prompted by domestic and Arab pressure for action. In discussions with US officials, the Lebanese Ambassador said that among new elements influencing Beirut were Israeli threats of further commando operations against Lebanon.

The Lebanese claim they seek a resolution that condemns all parties to terrorism, but it is not clear how much support for such wording they would have among the other Arabs. The US mission at the UN reports that the Egyptians as well as the Soviets want the US to be forced to use the veto. The Lebanese permanent representative opened debate last night by calling for "meaningful action" to end Israel's "aggression" against Lebanon. [REDACTED]

[REDACTED]

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LIBYA-ITALY: Italy may be supplanting the USSR and Czechoslovakia as a supplier of ground forces equipment to Libya. Rome has requested Washington's approval to export a second order of 150 M-113 armored personnel carriers (APCs) to Libya. The APCs are manufactured in Italy under US license and cannot be exported to third countries without US approval. Permission to export the first 150 APCs was granted last year and most of them have already been delivered under a July 1972 agreement. The agreement also included self-propelled artillery, a large number of trucks, and other equipment.

The USSR and Czechoslovakia have supplied Libya with almost 300 medium tanks, 350 APCs, and about 200 artillery pieces since 1970. President Qadhafi's anti-Communist bent, however, has led him to seek other sources for arms. No recent negotiations with either Moscow or Prague for additional equipment have been noted and deliveries under previous agreements have been virtually completed.

Italy's arms sales to Libya may lead to better relations between the two countries. Rome recently received US approval to begin deliveries of 27 Boeing and Augusta Bell helicopters



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*USSR-CHINA: The Soviet regime has been making more information on China's strategic capabilities available to at least part of the Soviet public in recent months.

Speakers at foreign affairs lectures in Leningrad have provided unusually specific details with respect to Peking's growing nuclear arsenal. The audiences are usually made up of the party faithful and other citizens interested in international affairs.

In late January, a public lecturer claimed that China had acquired a second-strike capability by putting missiles in silos built into rocks far from the Soviet border. The speaker implied that the possibility of eliminating the Chinese missile threat by a "surgical" strike no longer exists.

Early last month another lecturer stated that the Chinese have 80 to 100 nuclear warheads and could deliver these to targets deep within the Soviet Union. A speaker at a public lecture last week predicted that China probably will have missiles with ranges of 5,000 to 6,000 kilometers by 1975. He spoke in terms of 40 to 50 missiles, but it is not clear whether he meant that all had this range.

Although some lecturers have spoken of the need to keep in mind the contingency of war with China, the tone of their remarks on the Chinese nuclear capability has been matter-of-fact. There has been no apparent attempt to alarm the audience or to convey the impression that hostilities are imminent, or even likely.

The comments from Leningrad may be the first signs of an effort to accustom the Soviet public gradually to the notion that China already possesses a nuclear deterrent, while at the same time placing

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present Chinese capabilities in some perspective. A description of this kind could also serve as an indirect answer to those who may have wondered why the USSR does not simply destroy China's nuclear capability before it is too late.

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**The Director of the Bureau of Intelligence and Research, Department of State, feels that the last sentence is too speculative and that the audience being addressed plays no role in Soviet decision making on such vital questions as nuclear strikes against China, hence these lectures are simply a public information exercise.*

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USSR-US: Occidental Petroleum has signed an \$8-billion fertilizer exchange contract with the USSR--the largest Soviet-American trade deal in history. The agreement covers the sale of superphosphate fertilizer to the USSR in return for Soviet urea and potash. Under the terms of the 20-year contract, Occidental will also build four ammonia-urea plants in the USSR and will be repaid with products of the plants. Reports based on earlier negotiations indicated that the US firm would provide up to 1 million tons a year of superphosphoric acid used to produce phosphate fertilizer, rather than the finished fertilizer.

The large shortfall in Soviet agricultural production last year and the chronic shortage of phosphate fertilizers encouraged the Soviets to conclude this agreement. Although the USSR ranks second only to the US in production of phosphate fertilizers, their poor quality and outmoded assortment drastically reduce the effectiveness of the Soviet products. In addition, Soviet fertilizers must be used over a sown acreage 70 percent greater than that in the US; half of the arable land in the USSR is deficient in phosphorus. A larger supply of phosphate fertilizer could increase crop yields in the USSR, improve grain quality, and accelerate the ripening of grain.

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Teng Hsiao-ping



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CHINA: Teng Hsiao-ping, the second highest ranking party official purged during the Cultural Revolution, reappeared at a banquet given by Premier Chou En-lai on 12 April.

Although Teng was given no party or government titles, the official Chinese news agency listed him with two vice-premiers in the government. Teng had been a vice-premier and has probably been reinstated in his government post. Peking appears to have skirted for the moment the more controversial issue of whether to return Teng to an important party position. Teng was formerly secretary-general of the party and sixth among the party's top leaders until his fall in December 1966. Another former top party official, who was also a vice-premier, reappeared last December with his government title but has not been seen since.

The decision to rehabilitate Teng may have been taken last month when important party officials were reportedly holding a meeting, although Teng's status has apparently been under discussion for several years. Since 1968, there have been persistent rumors that he would be rehabilitated. [REDACTED]

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With the current leadership unable to agree on a number of major personnel appointments, the return of former high-ranking officials may be an attempt by moderates such as Chou En-lai to push their candidates forward. Although Chou has differed with some of these veteran officials in the past, they are clearly more acceptable to him than the more radical newcomers who came to prominence during the Cultural Revolution. [REDACTED]

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ITALY: Prime Minister Andreotti faces growing erosion of his support.

After repeated defeats in parliament, Andreotti, on the eve of his visit to Washington, called for public votes of confidence. Although the Senate rejected government-sponsored articles on educational reform by five votes in secret balloting, in three public confidence votes Andreotti won by a slim margin. In contrast to the defections in the secret balloting, the government parties evidently held together well against a combined opposition of the neofascist National Right, the Communists, and the Socialists.

Earlier this month, an initiative by Vice Prime Minister Tanassi's Social Democrats for formal interparty talks about a successor government signaled spreading dissatisfaction with the Andreotti government. The principal issues are economic policy and Socialist relations with the Italian Communists. The Republicans, Liberals, and Socialists lay particular stress on economic issues, principally restoring growth and stemming inflation. The Social Democrats want the Socialists to withdraw from Communist-run local governments. The Christian Democrats emphasize both issues.

Despite unrest and talk of a new government, political leaders at the moment seem to favor postponing action until June on whether or not to return to a center-left alignment. Early in June a Christian Democratic party congress will permit assessment of the strength of the left and right within the party.

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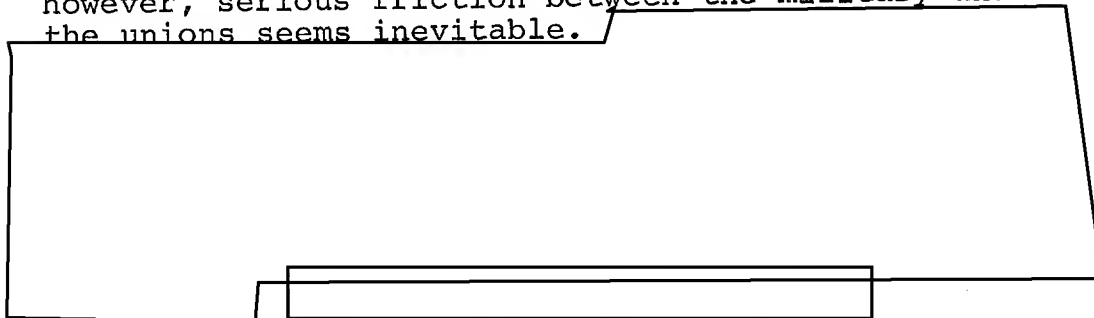
URUGUAY: The lines between the military and organized labor are being more clearly drawn.

In a communiqué issued on 9 April, the armed forces commanders warned the Communist-controlled National Convention of Workers (CNT) to end its involvement in politics and to abandon the tactic of calling disruptive strikes and take-overs of factories. The document also gave tacit support to President Bordaberry's plan to submit to Congress legislation that would strictly regulate organized labor.

Both Bordaberry and the armed forces commanders had several reasons for wanting to get the communiqué on the record. The President wanted a military commitment to support his union bill and a specific criticism of the CNT for demanding his resignation. The military chiefs desired to correct any impression that officers' recent contacts with labor mean that the armed forces are moving leftward and to warn the unions that the traditional rules of the political game will be changed as a result of the military's assuming a strong role in the government.

The immediate reaction of the CNT was a fairly moderate statement playing down the differences between the military and labor and claiming that the two institutions should work together against the common enemy--the "oligarchy." In the long run, however, serious friction between the military and the unions seems inevitable.

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YUGOSLAVIA: Defense Minister Ljubicic has been dismissed from the party watchdog organization in the military during a general membership rotation. Rumors also indicate that his departure from the ministry is only a matter of time. His main political asset in the past has been unflinching loyalty to Tito, but he may have angered Tito by making a speech that implied threats against Vienna last December during a controversy over the Slovenian minority in Austria. Ljubicic's remarks brought a sharp reply from Vienna. A recent article in the party presidium's theoretical journal indirectly attacked this speech and pointedly reminded the military that it should not threaten Yugoslavia's neighbors.

Tito anticipates that the military will play a key role in maintaining the stability and effectiveness of the regime after his departure, and he will want a Defense Minister who is fully trustworthy. Likely successors to Ljubicic include Chief of Staff Stane Potocar and Dzemal Sarac, secretary of the party's military organization.

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LAOS: North Vietnamese units supported by at least two tanks continued heavy artillery attacks on government units near Tha Viang on 12 April. Some government units have begun to pull back from forward positions. Poor flying weather is restricting Lao T-28 support, and heavy ground fire is hampering efforts to evacuate government casualties. Morale is poor among government troops and, in the absence of air support, a general withdrawal from the Tha Viang area may be imminent. Most government leaders are in the royal capital of Luang Prabang for the celebration of the Lao new year and there has been no official comment on the situation at Tha Viang. [REDACTED]

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EC: The Council of Agricultural Ministers failed to agree on the EC Commission's farm price recommendations for the 1973/74 marketing year. The Commission proposes that prices be raised by modest amounts, which would vary from country to country. This would re-establish common prices and eliminate the compensatory taxes and subsidies prompted by currency shifts among EC countries during the past two years. West Germany, whose currency has appreciated, opposes this proposal because it does not entail a price gain for German grain producers. The UK, whose currency has depreciated, also opposes the proposal because it would cause excessive price hikes there. Despite these divergent positions, the Agricultural Ministers may be able to agree on new prices when they meet again on 16 April. To mollify the Germans, EC Commissioner Lardinois has said privately that he may recommend slightly higher price increases than have been proposed to allow a token price boost for German grain farmers. [REDACTED]

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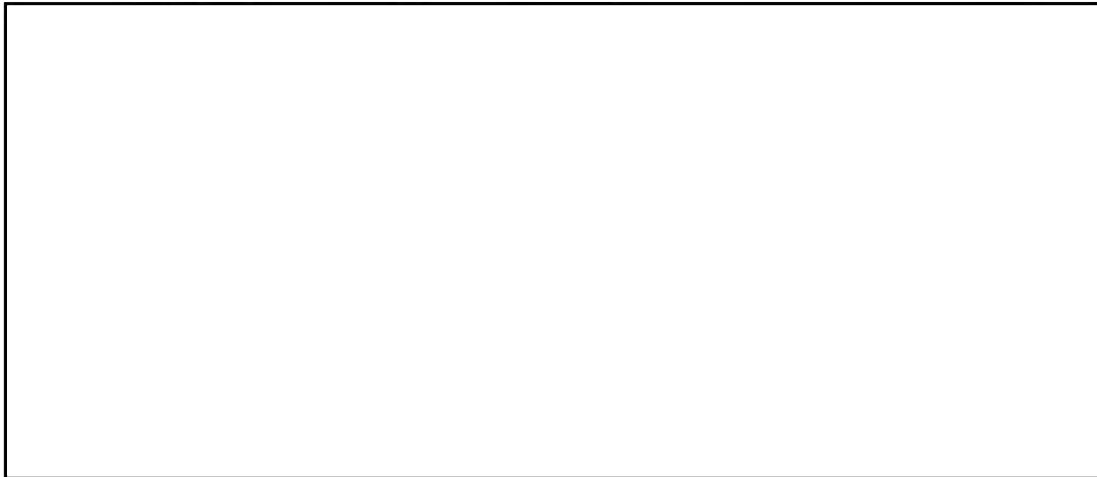
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BURMA: Rangoon has decided to speed up its offshore oil development. German and Japanese governmental oil organizations and about 25 private US companies soon will be invited to bid for exploration rights. Burma has indicated that in the initial bidding it will distribute three of 17 offshore blocks, one to each nation. The other 14 blocks will be allocated later by Rangoon on the basis of performance in the initial blocks and the terms offered. By seeking foreign private investment in this instance Burma has reversed its normal policy of requiring that all foreign financing for development purposes come only from governments. Rangoon probably hopes that offshore production eventually will eliminate the need to import petroleum, which accounted for 5 percent of total imports in 1971, and increase export earnings. [REDACTED]

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